

Assembly Bill No. 1518

Passed the Assembly July 20, 2007

Chief Clerk of the Assembly

Passed the Senate July 9, 2007

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2007, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to amend Sections 14257, 14405, 14408, 14453, 14456, 14750, 14807, and 14950 of the Financial Code, relating to credit unions.

LEGISLATIVE COUNSEL'S DIGEST

AB 1518, Committee on Banking and Finance. Credit unions.

Existing law provides for the regulation of credit unions by the Commissioner of Financial Institutions. Existing law provides that investigation and examination reports prepared by the commissioner's duly designated representatives are not public records but authorizes those records to be disclosed to certain personnel of the credit union. Existing law authorizes a credit union to make certain types of investments and to become a member of specified organizations. Existing law prohibits a credit union from making any gift or donation in excess of \$1,000 unless the gift or donation is in the best interest of the credit union and specified conditions are satisfied. Existing law authorizes the board of directors of a credit union, with written approval of the commissioner, to appoint an executive committee for specified purposes and to delegate the power to approve applications for new membership to certain individuals if the board reviews those approved membership applications quarterly. Existing law makes it a misdemeanor for specified officers, directors, committee members, certain loan officers, or employees of a credit union to knowingly permit or participate in the creation of an obligation with a nonmember of the credit union. Existing law authorizes a credit union to issue shares and enter into certain obligations with members of the credit union.

This bill would authorize the investigation and examination reports prepared by the commissioner's duly designated representatives to be disclosed to internal and external auditors and attorneys of the credit union to the extent necessary for the auditors and attorneys to perform work related to issues addressed in the examination report. The bill would authorize a credit union to become a member of an organization composed of community economic development entities and business or trade organizations.

The bill would change the \$1,000 limit on credit union gifts or donations to \$25,000 and would authorize the board of directors of a credit union to establish a budget for gifts and donations. The bill would authorize the board of directors of a credit union to appoint an executive committee to act as expressly approved by the board, as specified, and to delegate the power to approve applications for new membership to specified individuals as long as the board reviews a report of membership applications at least quarterly. The bill would provide that a member who is withdrawing membership in a credit union may be required to give specified notice of intention to withdraw shares. The bill would authorize a credit union to issue shares and enter into obligations with nonmembers if they are a joint applicant or co-obligor with a member of the credit union.

The people of the State of California do enact as follows:

SECTION 1. Section 14257 of the Financial Code is amended to read:

14257. Investigation and examination reports prepared by the commissioner's duly designated representatives shall not be public records. The reports may be disclosed to the officers, directors, members of the supervisory committee, members of the credit committee, and key management personnel of the credit union that is the subject of a report for the purpose of corrective action by those persons. The examination report may also be disclosed to internal and external auditors and attorneys that are retained by the subject credit union, but only to the extent necessary for the auditors and attorneys to perform work related to issues addressed in the examination report. The disclosure shall not operate as a waiver of the exemption specified in subdivision (d) of Section 6254 of the Government Code.

SEC. 2. Section 14405 of the Financial Code is amended to read:

14405. Every credit union may:

(a) (1) Become a member of any organization or organizations composed of credit unions, credit associations, chambers of commerce, financial institutions, community economic development entities, or business or trade organizations.

(2) Become a member of any nonprofit organization approved by the board of directors.

(b) Pay dues and assessments as may be levied upon it by any organization of which it is a member.

SEC. 3. Section 14408 of the Financial Code is amended to read:

14408. No credit union shall make any gift or donation having a value in excess of twenty-five thousand dollars (\$25,000) unless the gift or donation is in the best interest of the credit union, is approved by a resolution of the board of directors and is in conformance with any regulation or order that the commissioner may issue. The resolution of the board of directors approving the gift or donation shall identify the recipient of the gift or donation, state the value of the gift or donation, and specify the basis for the board's determination that the gift or donation is in the best interests of the credit union. The board may establish a budget for gifts and donations and authorize appropriate officials of the credit union to select recipients and disburse budgeted funds among those recipients.

SEC. 4. Section 14453 of the Financial Code is amended to read:

14453. The board of directors of every credit union shall have the general management of the affairs, funds, and records of the credit union. The board may appoint an executive committee of no fewer than three directors, to serve at its pleasure, to act as expressly approved by the board of directors in accordance with the laws and regulations.

SEC. 5. Section 14456 of the Financial Code is amended to read:

14456. Unless the bylaws expressly reserve any or all of the following duties to the members, the directors have all of the following special duties:

(a) To act upon all applications for membership. The directors may delegate the power to approve applications for new membership to: (1) the chairperson of a membership committee or to an executive committee; or (2) any officer, director, committee member, or employee, pursuant to a written membership plan adopted by the board of directors, provided the board of directors reviews at least quarterly a report of membership

applications approved by an officer, director, committee member, or employee.

(b) To expel members for any of the following causes:

(1) Conviction of a criminal offense involving moral turpitude.

(2) Failure to carry out contracts, agreements or obligations with the credit union.

(3) Refusal to comply with the provisions of this division or of the bylaws.

Any members who are expelled by the board of directors have the right to appeal therefrom to the members, in which event, after hearing, the order of suspension may be revoked by a two-thirds vote of the members present at a special meeting to consider the matter.

(c) To determine from time to time the interest rate on obligations with members and to authorize the payment of interest refunds to borrowing members.

(d) To fix the maximum number of shares which may be held by, and, in accordance with Section 15100, establish the maximum amount of obligations which may be entered into with, any one member.

(e) To declare dividends on shares in accordance with the credit union's written capital structure policy and to determine the interest rate or rates which will be paid on certificates for funds.

(f) To amend the bylaws, except where membership approval is required.

(g) To fill vacancies in the credit committee, and to temporarily fill vacancies caused by the suspension of any or all members of the credit committee, pending a meeting of the members to determine whether to affirm the suspension and vacate the office, or to reinstate the member or members.

(h) To direct the deposit or investment of funds, except loans to members.

(i) To designate alternate members of the credit committee who shall serve in the absence or inability of the regular members to perform their duties.

(j) To perform or authorize any action not inconsistent with law or regulation and not specifically reserved by the bylaws for the members, and to perform any other duties as the bylaws may prescribe.

SEC. 6. Section 14750 of the Financial Code is amended to read:

14750. Except as provided in Section 14950, any officer, director, member of a committee of a credit union, loan officer appointed pursuant to Section 14602, or employee who knowingly permits the creation of an obligation with, or participates in the creation of an obligation with, a nonmember of the credit union, or knowingly permits the creation of an obligation or participates in the creation of an obligation which is not made in conformity with the requirements of this division, is guilty of a misdemeanor.

SEC. 7. Section 14807 of the Financial Code is amended to read:

14807. Any member may withdraw from membership in the credit union at any time. A withdrawing member may be required to give 60 days' notice of intention to withdraw shares and 30 days' notice of intention to withdraw certificates for funds except when a different period of notice is required by the commissioner for the withdrawal of shares or share certificates that may be established by the board of directors pursuant to Section 14862.

SEC. 8. Section 14950 of the Financial Code is amended to read:

14950. (a) Every credit union may enter into obligations with its members upon the approval of the credit committee or, in the alternative, the credit manager, subject to the terms and conditions established by the board of directors pursuant to Section 15100.

(b) (1) The board of directors of a credit union shall adopt a policy governing the acceptance by the credit union of notes receivable from nonmembers as consideration for the sale of assets owned by the credit union through bona fide transactions.

(2) No credit union may accept notes receivable from nonmembers as consideration for the sale of assets owned by the credit union except in accordance with a policy adopted by the board of directors pursuant to paragraph (1).

(3) Transactions subject to this subdivision shall not be deemed to be loans to nonmembers for purposes of Section 14750.

(c) Notwithstanding subdivision (a), a credit union may permit a nonmember to participate in an obligation or extension of credit to a member as a joint applicant or co-obligor. An obligation or extension of credit made pursuant to this subdivision shall not be deemed a violation of subdivision (b) of Section 14800. Except as

otherwise permitted by statute or regulation, the credit union shall not extend any other benefit or service of the credit union to the nonmember solely as a result of participation as a joint applicant or co-obligor unless the nonmember is thereafter admitted to membership.

Approved _____, 2007

Governor